The UNI Center for Business Growth and Innovation is pleased to offer in the following pages, the 2015 Iowa Small Business Report. This report is a summary of the findings from the 2015 annual statewide survey of Iowa small business owners. This is the second annual summary and the fourth statewide survey conducted in Iowa.

This statewide survey is a critical resource for the state of Iowa during a time when the majority of net new jobs here and across the country are coming from companies less than five years old. This is the only annual survey conducted in the state of the overall population of known small business owners and offers both quantitative and qualitative information about the small business experience in Iowa.

This project would not be possible without the assistance and expertise of several people and organizations. Maureen Collins-Williams, a UNI Researcher in Residence and co-founder of Entrepreneurial Communities provided insight, interviews and expertise in understanding and compiling these findings. We are grateful for her guidance.

Strategic Marketing Services has been a valued partner since the first survey was conducted in 2012. Sara Ehrig at SMS has provided rigorous implementation standards and thoughtful methodology to a stratified sample of the business population that constantly changes and evolves.

Our team hopes you will read this publication and come away as inspired as we are by the men and women who are working every day in small companies across our great state. Enjoy!

Sarah Bey, Sr. Project Manager
UNI Center for Business Growth and Innovation

If you are a business owner with 50 or fewer employees and would like to participate in next year’s survey, please visit www.uni.edu/cbgi/survey to sign up!

A Message from SMS

Once again in 2015, Strategic Marketing Services – marketing research consultants in the University of Northern Iowa’s Business & Community Services group – worked closely with the UNI Center for Business Growth and Innovation to administer a research survey that accurately assesses the needs, concerns, and operational health of Iowa’s small businesses (defined, for purposes of this annual research, as having 50 or fewer employees.)

SMS sent recruitment emails, containing a survey link, to over 18,000 Iowa small businesses. CBGI provided about 10,000 of the email addresses from its own databases, and in an effort to ensure a neutral and robust list, SMS purchased an additional 8,000 randomly selected addresses from InfoUSA.

The research protocol yielded a statistically reliable sample possessing a data confidence level of 95 ± 3.27%. Further, statistically reliable comparisons were drawn between data collected from male and female small business owners, and between corresponding data collected from 2014 and 2013 respondents. As always, SMS employed an array of parametric and nonparametric statistical tests to detect the existence of significant differences between respondent subgroups.

We thank Iowa’s small business owners for their entrepreneurial spirit and fortitude. Thanks also to UNI’s CBGI for the trust it places in SMS to administer their small business survey.

Greg Gerjerts, Director
Strategic Marketing Services
Professional Researcher Certification
Supporting Entrepreneurs: What Does a Healthy Entrepreneur Ecosystem Look Like?

What Does a Healthy Entrepreneur Ecosystem Look Like?

Supporting Entrepreneurs: What Does a Healthy Entrepreneur Ecosystem Look Like?

From business incubators to coworks, One Million Cups (1MC) to angel investment forums, communities throughout Iowa and across the country are eager to offer resources and services to support and encourage entrepreneurship and small business—and they should; research collected over the past two decades point to young companies as the leading job creators in the U.S. economy.

Communities throughout Iowa are working today to support and guide entrepreneurial activity while trying to ‘stay out of the way’ at the same time. Randy Pilkington, Director of Business and Community Services at the University of Northern Iowa (UNI BCS) is at the forefront of Iowa entrepreneurial and small business support in the state. The thirteen programs in his division lead the state in responsive services to support small businesses, entrepreneurs and the communities where they live.

In 2013, a new UNI program was launched through the U.S. Economic Development Administration (EDA), to help regions in Iowa develop entrepreneurial ecosystems. Early results from this program are encouraging and offer some best practices for the rest of Iowa. Pilkington notes that, “Most community leaders want more entrepreneurial and small business activity in their communities, but they are not sure how to support and encourage entrepreneurs. We are working to address that with this initiative.”

UNI’s program, called the Regional Entrepreneurship Project, was launched in two multi-county regions of the state with a third region added in 2014. A total of nine counties, mostly in central and western Iowa, have been served to date. According to LaDene Bowen, Associate Director of the Institute for Decision Making (IDM) and lead staff on the project, the program is highly customized to the unique entrepreneurial opportunities and challenges of each region and based on UNI’s philosophy around insuring entrepreneurs have four key resources: capital, technical assistance, networks and supportive community infrastructure and culture.

For each region they work with, the UNI team conducts an extensive analysis of the existing small business community resources and assets, asking such questions as, “How many small business owners are here? Where are they? What industries are they engaged in and how have their companies grown or declined in recent years?”. Once this and other critical regional research is compiled, community leaders, service providers and small business owners gather to learn about the needs and roles everyone plays in small business development. A long term comprehensive plan to support entrepreneurs is then developed and the UNI team continues working with the region over time to implement and measure the effectiveness of those efforts.

Early economic impact from the Regional Entrepreneurship Project has been substantial. In addition to the development of a plan and capacity building among regional leadership, the six initial counties served reported 42 businesses launched, expanded, or changed hands through succession, resulting in 108 new jobs in the first year of implementation.

The Regional Entrepreneurship Project in Iowa is now being shared with other states through UNI’s federal partnership and the university plans to continue adding more regions in coming years. According to Bowen, next steps for the initial regions served include bringing new and innovative ideas to Iowa communities to continue to grow those ecosystems; this includes EntreBASH networking events, webinars, Business Concierge services and other emerging resources that are typically slow to hit the Midwest. “There is a lot of talent out there,” she notes. “Our goal is to help communities harness and keep that talent, to grow jobs and opportunity in Iowa. It’s a great time to be an entrepreneur in this state.”

Subsequent pages in this report offer a snapshot of the mindset among small business owners and a look at the people and organizations that support them in Iowa.

“Most community leaders want more entrepreneurial and small business activity in their communities, but they are not sure how to support and encourage entrepreneurs. We are working to address that with this initiative.”

— Randy Pilkington, Director, Business and Community Services, University of Northern Iowa

“’It’s a great time to be an entrepreneur in this state.’”

— LaDene Bowen, Associate Director, Institute For Decision Making, University of Northern Iowa

“‘What you track depends upon what you are trying to achieve.’”

— Measuring an Entrepreneurial Ecosystem, Kauffman Foundation, March 2014

Most community leaders want more entrepreneurial and small business activity in their communities, but they are not sure how to support and encourage entrepreneurs.

— Randy Pilkington, Director, Business and Community Services, University of Northern Iowa
The Small Business Survey was first conducted by the University of Northern Iowa in 2012. Business owners from 93 of Iowa’s 99 counties were represented in the 2015 study. Every county in Iowa has been represented in at least one year since the survey was first conducted. In 2015, the greatest number of responses were received from Polk County (103), followed by Black Hawk (90), Linn (65) and Johnson (46). Double digit responses were recorded from many rural counties including Fayette (17), Clayton (16), Winneshiek (15), Bremer (15), Buchanan (12), Jasper (12), Dallas (12), Warren (11), Clinton (10) and Dickinson (10).

All respondents were asked to complete the survey based upon their business experience in the calendar year of 2014.

Iowa Industries Represented in 2014

Iowa small businesses are clustered into a few, broadly defined industries. Industry changes over the past three years have mirrored the nation. The number of service businesses has slowly increased between 2012 and 2014 from 46% to 49% and the number of retailers in the survey has declined from 32% to 25% of all respondents. The construction industry, which is a current leader in national business startup rates, was broken out into a separate category this year. These businesses made up 6% of the survey respondents and were slightly under-sampled; construction makes up 11% of the Iowa economy. The remaining industry segments are broadly aligned with the overall makeup of industries in the state of Iowa and no one industry was over/under sampled by more than 5% with the exception of retail operations which were over-sampled by 10%.

WOMEN IN IOWA

Male/Female Technology Industry Gap Reduced in 2014

Men were twice as likely as women to own a technology company in 2014. Women made up 33% of the tech companies with only 5% of the total respondents being female compared to 10% male. This figure is down however, from 2013 when men were more than three times as likely to own a technology company as women.

Only 2% of women business owners were engaged in construction as compared to nearly 10% of men and more women than men were represented in service companies (53% to 46%) and in retailing (30% to 21%).

Survey Respondents by Industry

“Develop sources for help with technology.”

“I think that Iowa already has a pretty good system set up for people starting tech service businesses like mine. I can’t think of any way to make it better.” – SURVEY RESPONDENTS

Iowa Small Business Owners are Well-Educated

Seventy-three percent of the small business owners surveyed earned an associates degree or higher level of education, with 35% of owners earning a Bachelor’s degree and another 20% holding an advanced degree (Master’s or Doctorate). Women business owners were slightly better educated than their male counterparts; more women reported professional/trade degrees, Bachelor’s and Advanced degrees than men in the survey.

<table>
<thead>
<tr>
<th>Highest Level of Education</th>
<th>Percent of Respondents</th>
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<tbody>
<tr>
<td>Some High School</td>
<td>0%</td>
</tr>
<tr>
<td>High School</td>
<td>10%</td>
</tr>
<tr>
<td>Some College</td>
<td>17%</td>
</tr>
<tr>
<td>Associates Degree</td>
<td>11%</td>
</tr>
<tr>
<td>Professional / Trade Degree</td>
<td>7%</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>35%</td>
</tr>
<tr>
<td>Advanced Degree</td>
<td>20%</td>
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</tbody>
</table>

Survey Respondents by Industry

Industry Male Female
Retail 21% 30%
Service 46% 53%
Technology 10% 5%
Construction 10% 2%
Sales Revenue Among Small Business Owners in 2014

Nearly half of current business owners reported sales revenue of less than $100k in 2014. Thirty percent of respondents reported revenues between $100k and $500k, and 20% reported revenues of greater than $500k. These revenue proportions have remained nearly identical between 2013 and 2014.

Business Expansions Outweigh Downsizing Activities in 2014

The economy in Iowa was relatively stable for small businesses in 2014. More business owners reported expansions (37%) as compared to those who reported downsizing (15%) throughout the year. Nearly half (49%) of current business owners reported that their operations stayed the same in 2014. Small business owners are predicting caution for 2015 however, with more companies projecting flat sales than at any time in the past three years.

WOMEN IN IOWA

Iowa Women Optimistic

In 2013, women reported greater optimism about sales revenue in the upcoming year and it proved to be accurate in 2014. Woman-owned businesses saw slightly higher sales increases, slightly lower decreases and more woman-owned businesses saw their revenue stay the same in 2014 than their male counterparts in the state.

WOMEN IN IOWA

Woman-Owned Businesses Need to Grow Their Companies

Over the past two years, woman-owned businesses have consistently reported Growing Sales as their number one pressing problem. Given the large proportion of woman-owned companies with sales of less than $100,000 annually, this will continue to be a key area of business concern among women in the state.

Spoiler Alert: Fewer Sales Going Outside of Iowa than in 2013

More than half of Iowa’s small business owners do not conduct any business outside of state boundaries, largely unchanged from 2013. Only a handful of companies conduct all of their business outside of Iowa.

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Small businesses account for 97 percent of Iowa’s employers, so working with them to increase sales from out of state customers could mean substantial growth for their business and ultimately the creation of additional jobs for Iowans.

— Debi Durham, Director, Iowa Economic Development Authority
I expect more than 40% of the midwestern companies in my market segment to change hands in the next five years.  

— Maurie Cashman, Aspen Grove Investments, Cedar Rapids, IA

All eyes have been on Iowa startup companies in recent years, but that may soon change. Growing trends in business succession activity suggest that business acquisition may be a viable model for would-be entrepreneurs to pursue in coming years. Nearly half of the 2015 Iowa survey respondents self-identified themselves as being in business for more than ten years, and the number of businesses who have reported themselves as ten years or older is up 13% since the 2013 survey. In addition, 56% of business owners surveyed in 2015 reported themselves to be 50 or older in age. So what does that mean when these business owners prepare to step aside?

<table>
<thead>
<tr>
<th>Age of Business</th>
<th>Percent of Respondents</th>
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<tr>
<td>&lt; 1 yr</td>
<td>7%</td>
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<tr>
<td>1 to 3 yrs</td>
<td>11%</td>
</tr>
<tr>
<td>3 to 5 yrs</td>
<td>12%</td>
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<tr>
<td>5 to 10 yrs</td>
<td>21%</td>
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<tr>
<td>10 yrs +</td>
<td>49%</td>
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<table>
<thead>
<tr>
<th>Age of Business Owner</th>
<th>Percent of Respondents</th>
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<tbody>
<tr>
<td>&lt; 29</td>
<td>5%</td>
</tr>
<tr>
<td>30-39</td>
<td>16%</td>
</tr>
<tr>
<td>40-49</td>
<td>23%</td>
</tr>
<tr>
<td>50+</td>
<td>56%</td>
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Business consultant and broker Maurie Cashman of Aspen Grove Investments in Cedar Rapids specializes in growing business value and facilitating successful ownership transitions for midwestern companies. “It isn’t a matter of if these business owners are going to transition out of ownership,” he says, “it is simply a matter of when.” According to Cashman, the rewards of a well thought out succession can be substantial to both a buyer and a seller.

Sales of companies to strangers off the street or even to competitors has fallen in recent years, even to competitors has fallen in recent years, and the number of businesses who have reported themselves as ten years or older is up 13% since the 2013 survey. In addition, 56% of business owners surveyed in 2015 reported themselves to be 50 or older in age. So what does that mean when these business owners prepare to step aside?

Entrepreneurs Have Many Choices in Iowa

<table>
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<th>Business Acquisition Benefits</th>
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<tbody>
<tr>
<td>1. Immediate Cash Flow</td>
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<tr>
<td>2. Existing Customer and Supplier Base</td>
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<tr>
<td>3. Proven Business Model</td>
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<tr>
<td>4. Existing Workforce</td>
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Entrepreneurs Have Many Choices in Iowa

<table>
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<th>Succession planning needs to start early, because it involves so much more than just finding a buyer.</th>
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<tbody>
<tr>
<td>— Dan Beenken, SBDC Director, Advance Iowa Sr. Program Mgr, UNI Center for Business Growth &amp; Innovation</td>
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Cashman notes there are many tangible benefits to acquiring an existing business vs. engaging in startup activity. He speaks from experience; he launched his own startup – Aspen Grove Investments – nearly a decade ago and also led a multi-million dollar corporate spin off at Land O’ Lakes that he likened to being ‘strapped to a rocket’. Acquiring an existing business he says, offers a special set of benefits that can play to the strengths of an entrepreneur and maximize profitability. Benefits include immediate cash flow, an existing customer and supplier base, a proven business model and an existing workforce. The real magic however, comes from marrying the specific expertise of the entrepreneur with the right business opportunity. “Management skills are needed across industry,” says Cashman, “but not every business needs someone with global market analysis skills or advanced manufacturing expertise.” (See accompanying story of Janette Larkin, publisher at the Des Moines business journal, on the next page.)

A wise entrepreneur, says Cashman, can maximize their specific expertise to springboard a company into exceptional profits. He notes too, that there is no shortage of opportunity. He expects more than 40% of the midwestern companies in his market segment in Iowa to change hands in the next five years.

Business owners frequently believe that by working hard in their business they’ll have something of great worth when it comes time to sell. However, as Dan Beenken of Advance Iowa suggests, “Succession planning needs to start early because it involves so much more than just finding a buyer. It’s about making sure your business will flourish without you and putting the strategies in place to make that happen.” These people and process adjustments include training current key management employees, reviewing and refining the owner’s role in the company, creating replicable customer/client processes that don’t hinge on the owner’s long-standing relationships, and reviewing all business expenses flowing through the company to ensure maximum value at the time of sale.
Entrepreneurs Have Many Choices in Iowa

While I climbed a lattice vs. a ladder in my entrepreneurial career, I ended up in the place I always intended to be, doing what I care about.

— Janette Larkin, Publisher Business Publications Corporation, Inc., Des Moines

There is very little data available concerning the number of entrepreneurs who own more than one business, much less any information about how many small business owners have other, outside employment. What little evidence there is suggests that many small business operations don’t earn enough revenue and subsequent profits to support the owner. The Small Business Administration (SBA) reports that more than half of all U.S. small businesses are home-based sole proprietors, averaging less than $50,000 in gross annual sales – hardly a livable wage, even before subtracting business expenses.

Some small business owners remedy this by opening multiple businesses. According to business coach Susan Martin, (www.business-sanity.com), there are three kinds of entrepreneurs who tend to own business multiples: newbies, passion chasers and serial entrepreneurs. New entrepreneurs or ‘newbies’ as she calls them, often believe that two businesses will cash flow with twice the revenue as one, but that is seldom true. She notes it is simply twice the work, especially during the first few years of business operations. Serial entrepreneurs on the other hand, open multiple companies because they need a challenge and cannot put a lid on their creativity. They often suffer, according to Martin, from poor follow through; in part, because starting a company is exciting, while running one can be mundane. Passion chasers are business owners who are engaged in an industry that doesn’t readily offer high earnings and their hours are such that regular employment is difficult. Musicians

WOMEN IN IOWA

Des Moines Publishing Company Taps Larkin to Lead

Janette Larkin, Publisher of Business Publications Corporation, Inc. of Des Moines, successfully parlayed lifelong journalism goals into business leadership by investing her talent and equity into an iconic publishing company in the state. Larkin was the quintessential Iowa high school journalist. She co-edited the high school newspaper at Creston High, then double majored in Journalism & Mass Communications and Political Science at ISU. As her career progressed however, Janette ultimately climbed what she calls the ‘lattice vs. the ladder’ to achieve her professional journalism goals. She worked for the Des Moines Register and the Gannett Company in various management roles, including a stint as the Register’s National Advertising Manager. A pivotal point in her career came when she was offered – but ultimately turned down – a publisher role with Gannett, knowing the relocation it required wasn’t a good fit with her personal life. It was a tough decision. Like many females, she also shied away from startup entrepreneurship. “As a single mother raising two boys, I had neither the time nor the capital to launch my own publishing company earlier in my career. Later however, when my boys were older and my finances and experience were more ideal, entrepreneurial opportunities came via building a hotel with my brother as my partner and allowing Wimer to develop not one, but two successful succession strategies. Larkin was hired in 2001 as the Director of Sales and Marketing at the company and she was later promoted to Associate Publisher. As a key member of the management team, she helped position the sale of the company to a family-owned publishing firm just before the Great Recession; then in a strange turn of events, she facilitated the management transition back to Wimer in the aftermath of that parent company’s bankruptcy a few years later. The second time around, Larkin was poised to assume the role of partner as well as publisher. Today, Janette Larkin serves as the publisher at Business Publications Corporation, Inc. which publishes the Business Record, dsm Magazine and numerous other niche publications.

That over time, propelled Larkin to publisher and allowed Wimer to develop not one, but two successful succession strategies. Larkin was hired in 2001 as the Director of Sales and Marketing at the company and she was later promoted to Associate Publisher. As a key member of the management team, she helped position the sale of the company to a family-owned publishing firm just before the Great Recession; then in a strange turn of events, she facilitated the management transition back to Wimer in the aftermath of that parent company’s bankruptcy a few years later. The second time around, Larkin was poised to assume the role of partner as well as publisher. Today, Janette Larkin serves as the publisher at Business Publications Corporation, Inc. which publishes the Business Record, dsm Magazine and numerous other niche publications.

WOMEN IN IOWA

Employed Elsewhere in Addition to Owning a Business

In Iowa, few business owners reported owning multiple businesses, however more than 27% of survey respondents indicated that they were employed elsewhere in addition to their business. Of those business owners who had additional employment, a majority of them (60%) said they did so because they needed the additional income.

WOMEN IN IOWA

Owner AND Employee?

Woman-owned businesses in the survey (32%) were more likely to report being employed elsewhere in addition to owning their own business. A majority of women reported that they needed the income vs. wanted the additional income or had other reasons for pursuing outside employment.
Over the past three years, 1:5 small business owners have identified government regulations as an ongoing pressing problem and 1:4 have identified healthcare and taxes as among their most pressing problems. The role of government in influencing those issues is not lost on Iowa small business owners. More than 400 small companies weighed in with pages of comments, in support of and in opposition to, various governmental roles in these business areas. Many small business owners suggest that those who create the policy and laws that guide and regulate small business should receive special training to understand what it is like to open and manage a small business. Others suggest that all those in public service who regulate small business should be required to have entrepreneurial experience to qualify for their positions.

In spite of some criticism in this year’s survey, small companies acknowledge that the governor and legislature understands their needs and is working to address them better than in the past. For the third year in a row, small business owners from throughout the entire state have a lot of work to do to improve the regulatory and healthcare issues facing small companies, but we’ve made strong strides in recent years to listen and respond to key issues brought to us. It’s a good time to be in business in Iowa.

Potential Legislation in 2016 to Support Woman-Owned Business Succession?

While as of yet unrealized, much legislative work has been underway during the past two sessions to support woman-owned business in the state. In 2014, Senate President Pam Jochum of Dubuque introduced the first piece of legislation to address Iowa’s last in the nation standing in the startup and growth of woman-owned businesses. The Senator met in 2014 with women leaders in the Des Moines area to discuss woman-owned business concerns, then drafted a bill to create an Iowa Woman-Owned Business Tax Credit. While the legislation did not make it through the legislative funnel, Senator Jochum is committed to finding legislative solutions. She notes that, “We need to do more to unleash the potential of woman-owned business. The tax credit initiative would enable women to purchase an existing business and address some of the obstacles women face — access to capital and owning a business with a defined niche and customer base. Iowa cannot afford to exclude half of its population in their rightful role in helping to change the face of our economy.”

The legislation introduced by Jochum states: “Business ownership by women is essential to the economic growth and vitality of Iowa. Women in Iowa continue to experience barriers to entry into business ownership. The general assembly recognizes that the existence of these barriers has resulted in a very low rate, in number and growth, of woman-owned businesses in Iowa compared to the rest of the nation. Therefore, it is the intent and goal of the general assembly to encourage and increase business ownership by women in Iowa and to reduce the gender disparity in business ownership in Iowa. To that end, the assembly finds that the Iowa Woman-Owned Business Tax Credit (IWTC) will lower financial barriers to women.”

The bill would provide a tax credit, equal to fifty percent of the purchase price of equity interest, to a taxpayer who sells an equity interest in an Iowa business to an eligible woman. Janette Larkin, publisher of the Des Moines Business Record, was one of the women who met with the Senator in 2014. “It’s such an attractive solution,” she points out, “Tax credits have been used with success across many other sectors, such as incentivizing ESOPs as a succession-planning tool for Baby Boomers to keep those companies based in Iowa. This bill accomplishes that same goal and has the added advantage of moving the needle on Iowa’s woman-owned business numbers. We were disappointed it didn’t pass but look to the 2016 session for this and other bills that will make a difference for woman-owned businesses in Iowa.”

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We asked Natalie Brown, a serial entrepreneur from Cedar Falls to share her Iowa experience in opening and expanding her popular "Scratch Cupcakery" business(es). While Brown didn’t launch a technology startup, expand a manufacturing operation or even make ice cream with a 3D printer, she is one of the most innovative entrepreneurs we know. Her Iowa story, much like many of the stories we hear in the UNI Small Business Survey, is full of optimism, hope and Iowa common sense.

In 2010, I opened the first location of Scratch Cupcakery in Cedar Falls, Iowa. At the time, I didn’t have any restaurant experience, had no business education aside from my own endeavors, and didn’t know a thing about retail startups. I was turned down for bank loans because opening a cupcake shop just wasn’t a viable business in Iowa. I hit roadblocks renovating our first building, and not understanding how to ask for help at that time – I was totally overwhelmed at the task.

Five years and six businesses later (four of them Scratch Cupcakes!), I can say finding people willing to see your vision is an incredible part of the small business journey. There are an amazing number of resources in our state. Many are designed for people who started just like me, with little to no background in their chosen field, few personal resources, and unsure of their path… but with a dream and the willingness to work hard to make it happen!

On opening day we had seven employees; I did all of our baking and decorating, and we were open twelve hours a day, five days a week. I did all of our baking and decorating, and we were open twelve hours a day, five days a week. I knew the communities I initially targeted for possible sites for stores and I knew that each of those communities developed loyal customers. Being a hometown Iowa girl gave me an edge in the beginning, and many of the customers we had on opening day are still weekly visitors. Traveling the state and watching people recognize my brand has been incredibly rewarding, but being part of those customers’ lives is the best part of working where I grew up. Hearing the stories that come from what we do is by far the greatest benefit of sticking to my roots.

When I first opened for business, I was told ‘Never doubt yourself. If your decision is right, you will know it. If it wasn’t, you can fix it.’ I’ve never looked back.

— Natalie Brown, Owner, Scratch Cupcakery

One of my greatest challenges was acknowledging I needed help. My passion was baking and making people smile and I just knew I could make a small bakery succeed. Once I realized I couldn’t be all things to all people, we no longer knew the meaning of the word "small." Growth was never in the first plan, and I would have run away from it had someone told me what we would become; but people stepped into my path at the right time with the right skills and we were able to grow in ways I couldn’t have imagined. When I opened, there were only three cupcake shops open in the state, none of them solely focusing on just cupcakes – I had found a niche! Little did I know a short five years later, we’d have more than 30 specialty cupcake shops in Iowa.

Although challenging to stay unique at first, we’ve continually been able to focus on what we do and not what others are doing. Another challenge in my business journey was deciding not to franchise my company. Less than a month after opening the first location, I was asked about franchising, and it’s an email I receive almost daily. Having built my business in Iowa, it was important to me that I stay true to my vision. My vision was never to sell pieces of my business and let someone else do the work. We operate with a management model, training managers from the ground up, working side-by-side with them throughout their journey, and allow them to flourish in their stores. Sure, I may own a franchise some day, but Scratch won’t be it.

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— Natalie

One of the enormous benefits of opening my businesses in Iowa was knowing our customer base. I didn’t have to guess at our demographics or wonder in which city we might open next – I lived it. I was born and raised in Cedar Falls and already had a good understanding of the markets here. I knew the communities I initially targeted for possible sites for stores and I knew that each of those communities developed loyal customers. Being a hometown Iowa girl gave me an edge in the beginning, and many of the customers we had on opening day are still weekly visitors. Traveling the state and watching people recognize my brand has been incredibly rewarding, but being part of those customers’ lives is the best part of working where I grew up. Hearing the stories that come from what we do is by far the greatest benefit of sticking to my roots.

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The 2015 Iowa small business survey found that nearly every aspect of business operations among Iowa business owners is being touched by technology. Some small companies shed old jobs in 2014 because of technology advancements and others created different jobs to support new technology innovations. Rural business owners continue to call for better connectivity – and for the first time, the 2015 survey asked small Iowa companies about their use of social media tools to support their business operations.

Business plans are being created with technology issues driving their direction, manufacturing floors are becoming digitized, and main street is integrating technology in new ways every day. All of this means attracting, developing, and retaining technical talent to support the future economy of Iowa.

Rural business owners continue to call for faster, less expensive connectivity and better technology education resources in 2015. Of twelve identified business needs, web development was a top area of needed business improvement, behind marketing/advertising and business strategy development.

WE HEAR YOU! Social Media is Great but Takes Too Much Time

Nearly all of the small business owners surveyed were familiar with the nine popular social media platforms asked about in the 2015 survey, however the comment boxes were loaded with concerns about time.

All companies today are technology companies... — Brian Waller, TAI President

Respondents who have account and actively use it for business

<table>
<thead>
<tr>
<th>Social Media</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>LinkedIn</td>
<td>23%</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Facebook</td>
<td>53%</td>
<td>43%</td>
<td>64%</td>
</tr>
<tr>
<td>Twitter</td>
<td>17%</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>Pinterest</td>
<td>11%</td>
<td>6%</td>
<td>17%</td>
</tr>
<tr>
<td>Instagram</td>
<td>9%</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>Google Plus</td>
<td>13%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>YouTube</td>
<td>11%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>FourSquare</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Yelp</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>

In the 2015 survey, small business owners were asked for the first time about their use of social media. Nine different social media tools and their use by small business owners were assessed, including such familiar resources as Facebook and LinkedIn. More than half of the small business owners surveyed (53%) reported having and actively using Facebook for their business social media strategy, while 23% reported using LinkedIn and 17% actively use Twitter.

“[The main reason I don’t use Pinterest, Facebook, etc.] is a lack of time to keep up with them.”

“I don’t have the time to figure it out or post regularly.”

Not enough time for small businesses to do all the social media you mentioned and also run a business. Takes too much time.”

“I am so busy that I don’t get time to play with those sites.” — SURVEY RESPONDENTS

Women Rock Social Media

Considerably more woman-owned businesses reported active use of Facebook, Twitter, Pinterest and Instagram for business purposes as compared to male-owned businesses. In many cases the male-owned businesses didn’t have an account at all, while the woman-owned businesses were active users. In fact, 21% more women reported actively using Facebook than men. These findings support previous research suggesting that women are more active users of the internet to communicate and seek help but are still slow to adopt new technology to their business models.
As new legislation has been rolled out, small business angst over health insurance and other benefits to employees has remained in the top four pressing problems facing small companies – culminating as the single greatest problem in 2014. Small business owners struggle with costs and are asking for more affordable healthcare for themselves and their employees. Many business owners are calling for more options too, citing a need for more competition, clearer choices and more overall programs to select from.

"Support healthcare improvements that would reduce costs for everyone. We pay half of our healthcare costs for full-time employees and it is getting increasingly expensive. Other than that, I have to say our local officials are very supportive."

"It is difficult to be competitive as an employer with the phenomenal costs of health insurance..."

"We need better/more health insurance options."

— SURVEY RESPONDENTS

### Pressing Problems

<table>
<thead>
<tr>
<th>Pressing Problems</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Capital</td>
<td>17%</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>Competition</td>
<td>23%</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>Cost of Health Insurance and Other Benefits</td>
<td>30%</td>
<td>35%</td>
<td>23%</td>
</tr>
<tr>
<td>Finding Qualified Employees</td>
<td>28%</td>
<td>31%</td>
<td>25%</td>
</tr>
<tr>
<td>Government Regulations</td>
<td>20%</td>
<td>26%</td>
<td>12%</td>
</tr>
<tr>
<td>Growing Sales</td>
<td>28%</td>
<td>27%</td>
<td>30%</td>
</tr>
<tr>
<td>Interest Rates</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Taxes</td>
<td>28%</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>Technology Changes Within My Industry</td>
<td>13%</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>Using Online Marketing and / or Communications</td>
<td>16%</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>No Problems / I Prefer not to Comment</td>
<td>13%</td>
<td>11%</td>
<td>14%</td>
</tr>
</tbody>
</table>

### Jobs, Jobs, Jobs

#### 30 Percent of Business Owners Added Jobs in 2014

Small businesses are significant contributors to Iowa’s workforce. The UNI survey captures information from both sole proprietors and employer firms in the state concerning employment. This creates a more complete picture around job creation in Iowa than would otherwise be reflected by the commonly used Census Bureau’s Business Dynamics Statistics (BDS) annual data series. During 2014, thirty percent of those surveyed added jobs, averaging 2.86 new employees per company that hired. The average incoming full-time manager or owner earned $28.05 per hour across industry.

Iowa businesses with fewer than 50 employees created approximately 81,067 net full-time jobs statewide after accounting for reported layoffs (*see page 22). The greatest number of jobs created per business came from agriculture. Businesses in the agricultural sector reported adding 1.6 new jobs in 2014, with an average managerial starting wage of $50 per hour.

#### Full-Time Starting Wages in 2014

<table>
<thead>
<tr>
<th></th>
<th>Ag</th>
<th>Whole</th>
<th>Tech</th>
<th>Retail</th>
<th>Service</th>
<th>Mfg</th>
<th>Const.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>$50.00</td>
<td>$20.50</td>
<td>$45.07</td>
<td>$16.49</td>
<td>$29.78</td>
<td>$15.67</td>
<td>$24.75</td>
</tr>
<tr>
<td>Non-Management</td>
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<td>$11.20</td>
<td>$20.00</td>
<td>$11.96</td>
<td>$15.47</td>
<td>$12.40</td>
<td>$13.86</td>
</tr>
</tbody>
</table>

#### Part-Time Starting Wages in 2014

<table>
<thead>
<tr>
<th></th>
<th>Ag</th>
<th>Whole</th>
<th>Tech</th>
<th>Retail</th>
<th>Service</th>
<th>Mfg</th>
<th>Const.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>NA</td>
<td>$30.00</td>
<td>$35.00</td>
<td>$8.65</td>
<td>$28.71</td>
<td>$14.00</td>
<td>$24.04</td>
</tr>
<tr>
<td>Non-Management</td>
<td>$9.35</td>
<td>$10.85</td>
<td>$12.00</td>
<td>$8.87</td>
<td>$10.92</td>
<td>$10.13</td>
<td>$13.70</td>
</tr>
</tbody>
</table>

30% of survey respondents added an average of 2.86 jobs per business.

Full-time non-management workers in the ag sector averaged $13.43 per hour. Incoming technology managers averaged $45.07 in starting hourly wages and non-management technology workers averaged $20 per hour in starting wages.

On average, Iowa small business owners created 75,837 net part-time jobs during 2014, and hired an additional 65,377 sub-contractors. Part-time managers earned the most in the technology sector, where the average starting hourly wage was $35. Part-time wholesale workers in management earned $30 per hour in starting wages and part-time retail managers earned the least among new part-time hires at $8.65.

The average new full-time manager in a small business earned $28.05 per hour.

---

"One positive outcome of the recent recession is America finally woke up to economic impact of small business. No one understands this better than Iowans. The SBA and its resource network are key to small business success. As the new SBA director, I am committed to increasing SBA’s visibility statewide and to expanding business opportunities for all small business sectors.

— Jayne Armstrong, District Director, U.S. Small Business Administration, Iowa District Office"
Sub-contracting continues to be a formidable driver of economic growth, as nearly 23% of all new hires in 2014 were sub-contract vs. payroll positions. Many small business owners are turning to their peers – other small business owners – to accomplish short term projects such as web development, graphic design, e-commerce and accounting; creating a network of partnerships and business to business sales without hiring a single new W-2 employee.

According to national consultant Erik Pages, of Entreworks Consulting, this trend will continue to grow in coming years. He notes, “As more people move into independent work the distinction between an employee and an entrepreneur becomes fuzzier. Business activities that once occurred almost exclusively inside the firm may now be occurring in less well-defined and poorly measured networks or partnerships.”

In Iowa, small business owners reported hiring 65,377 subcontractors in 2014, down 7% from 2013. Sub-contract workers, who pay their own payroll taxes and other business expenses, earned a high of $125 per hour, with the average being $20.71.

As more people move into independent work the distinction between an employee and an entrepreneur becomes fuzzier. — Erik Pages, National Consultant, Entreworks Consulting

The Average Iowa Small Business Owner Employs Five Other Iowans

The average Iowa small business owner reported employing just under five employees (4.90) in 2014. In 2013, the average small company throughout the state reported employing 5.63 average employees per business. The 2014 averages are higher than in 2012 when the average employment per small firms was reported at 4.56. The historical average over the past three years is five employees per small company in the state.

WOMEN IN IOWA

Woman-Owned Businesses are Smaller

Woman-owned companies are consistently smaller than their male-owned counterparts and employ fewer employees. Woman-owned companies reported employing an average of 4.0 employees during 2014, while male-owned companies employed an average of 5.68 employees.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Employees of Male-Owned Businesses</th>
<th>Average Employees of Woman-Owned Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>6.55</td>
<td>4.54</td>
</tr>
<tr>
<td>2014</td>
<td>5.68</td>
<td>4.00</td>
</tr>
</tbody>
</table>

State job creation numbers were extrapolated from findings reported by 896 survey respondents in the 2015 survey. Numbers were calculated using the 2012 Census Bureau County Business Patterns which reports the number of businesses in Iowa with fewer than 50 employees to be 261,507. Considering the 3.27% margin of error, and accounting for jobs eliminated, the range of net full-time, part-time and sub-contract jobs created is as follows:

Full-Time 76,706 to 85,428
Part-Time 70,963 to 80,711
Sub-Contract 63,239 to 67,515

“Wages are too low in rural Iowa...”

“Having employees is difficult.”

“I know a lot of employers have trouble filling semi-skilled positions.”

“My main issue is we can’t find staff.”

“We need an available labor pool of workers who are qualified to perform daily duties without more training.”

— SURVEY RESPONDENTS
labeled Capital Investments. The Key to Business Growth

Owners, Angel Investment is the Key to Business Growth

For a Few Small Business Owners, Angel Investment is the Key to Business Growth

For most small business owners, personal funds, bank loans and investments from friends and family will make up the sources of capital needed to start-up and grow a company. For a limited segment of the small business community, however, equity investment from ‘angel’ investors can propel expansion and growth.

Angel investors are high net-worth, non-institutional investors who invest in high-return entrepreneurial ventures in exchange for equity in the company, a share of voting and ultimately, capital gain. Angels normally invest in early stage ventures where the founding team has exhausted their personal savings and sources of funding from family and friends.

Angel investment is often referred to as ‘patient money’. It is patient because investments in these small companies are not repaid from revenues but rather, they receive distributions at a potential liquidity event, such as the sale of the company or a merger or acquisition of the company by another business. This type of investment and accompanying returns is only appropriate for a small portion of small businesses, typically those with tremendous growth potential.

Historically, the Angels themselves have been wealthy individuals in a community who traditionally invested locally in a variety of companies across many sectors. In recent years however, most Angels have become linked to formal or informal networks – a plus for entrepreneurs as they can be in front of a broader base of expertise by pitching to a network. In Iowa, there are several Angel networks including the Eastern Iowa Angel Network and the Plains Angels.

According to Mike Colwell of the Greater Des Moines Partnership, “the Plains Angels provides ready access to more than 80 Angel investors in the state.” There is a group in Des Moines and another in the Iowa City/Cedar Rapids corridor. The Plains Angels bring a diverse set of backgrounds and interests to their investments and have invested approximately $4M in 11 companies since their inception in 2012.

Angel investors do more than simply invest funds; they often provide mentoring and support to the companies they invest in, which makes them valuable on many levels to growth oriented and young companies. “Regional angel investment in local start-ups has been beneficial to Iowa,” notes Greg Williams, a long time angel investor and Iowa intellectual patent attorney with Simmons Perrine PLC. “It often increases the potential for additional, non-financial assistance from the Angels and the chance that these companies will remain in the area.”

For a list of angel investment networks serving Iowa, please go to www.investiowa.com.

The number of small business owners who sought out crowdfunding on sites like Indiegogo, Kickstarter or one of the other 400+ websites dedicated to assisting small companies with their startup or expansion plans has continued to grow – albeit very slowly – among Iowa business owners in the state. Only about 2% of Iowa small business owners reported using crowdfunding in 2014, up only 1% since 2012 and soliciting an average of $10,000 per business. According to Wharton, the final JOBS Act rulings released in March 2015 will effectively cause the internet to play a bigger role in funding small businesses moving forward. “Businesses can now advertise for investors on the internet using whatever means available including email, Google, Facebook and Twitter.”

1. http://goa.gov/EPSPiw4

For a list of angel investment networks serving Iowa, please go to www.investiowa.com.
As Internet bandwidth and ease of business entry and exit continue to improve across the state, the number of individuals pursuing home-based business activity is increasing. The Data Center of Iowa reports the estimated number of home-based workers in Polk County has increased by more than 40% between 2000 and 2013. Other counties in Iowa are seeing upticks as well. Among rural Iowa counties, Winneshiek County boasts a high number of home-based businesses as well, with 1,069 reported home-based operations there. Those numbers come as no surprise to Jason Trout, a Decorah transplant and co-founder of GoodBlogs, a SaaS marketing platform. He says, “Because I make my living on the internet, I can literally live anywhere in the world. I chose Decorah. Why? Because it’s culturally interesting (in recent years we’ve had presidential and royal visits) yet small enough where people know and look out for each other.”

The increasing numbers of home-based business operations in Iowa presents opportunities and challenges for communities. Many cities are working to enact thoughtful zoning for various commercial purposes in residential neighborhoods, balancing the needs of neighboring homeowners with entrepreneurial residents. Clive, for example, announced early in 2015 that they will be revising their home-based business ordinances to include a business registration requirement that will categorize home-based operations into low, medium and high impact business operations. Differing rules will apply to such companies depending upon the traffic, parking, noise and other business operational practices. Differing rules will apply to such companies depending upon the traffic, parking, noise and other business operational practices. In light of statewide calls to decrease governmental paperwork, new registration requirements are not likely to be well received by Iowa small business owners. However, communities who work to guide and support, rather than regulate and bar will find little complaint from home-based operators.

The Cedar Valley of eastern Iowa is quickly becoming a new hotspot of entrepreneurial activity in the state. Coming in behind Des Moines and the Creative Corridor of Cedar Rapids/Iowa City, entrepreneurs have dubbed the region Connect The Valley and work is underway to link innovators throughout the area with networking, capital and peer connections. BarCamps and 1MCup events have taken hold in the region and there are plans for a new CoWork in either Waterloo or Cedar Rapids.

Cedar Falls’ recent designation as a 1GB city has played a role in attracting innovation and talent. Far Reach Technologies founder Kate Washut notes that there are more startups in the valley than ever before. She says that, “there is a lot of young talent and energy already here and they’re not afraid to get their hands dirty. They’re paying attention to what’s working in Des Moines, Cedar Rapids, and other …with our designation as a 1GB city, we’re starting to see more graduates choose to stay in the Cedar Valley and that will ultimately be a big plus for us.”

Community leaders in Cedar Falls expect the number of individuals running companies and/ or working from their living rooms, basements and kitchen tables in Cedar Falls to grow over the next decade as more residents take advantage of the city’s high speed Internet.

Silicon Prairie tech hubs and they’re learning and making things happen. As these efforts take hold, and along with our designation as a 1GB city, we’re starting to see more graduates choose to stay in the Cedar Valley and that will ultimately be a big plus for us.”

— Kate Washnut, Founder, Far Reach Technologies

This past spring, President Barak Obama was in Cedar Falls, Iowa celebrating the gigabit-per-second Internet speeds offered by Cedar Falls’ municipally owned utility and a similar utility in Chattanooga, Tennessee. Cedar Falls and Chattanooga are strange bedfellows; they are among the very first cities in the Western Hemisphere to offer gigabit-per-second Internet speeds and both communities expect rich economic rewards in the future. Recent research suggests that faster Internet promotes home-based business activity in addition to traditional economic development outcomes associated with large employer firms.

Cedar Falls: One of Only a Handful of 1GB Cities in the World

Because I make my living on the internet, I can literally live anywhere in the world. I chose Decorah.

— Jason Trout, Co-Founder, GoodBlogs
Sponsor incubators for small business. In Bellevue, the city offered 3 months of free rent to anyone wanting to open up a shop in the downtown area; this was genius!

“Find more ways to incubate business ideas; places for startups.”

Provide some type of incentive to shop at small businesses. Reduced sales tax possibly.

Support the small-town chamber of commerce so that they can do a better job of supporting and marketing their local small businesses.

We would appreciate the support in at least visiting and knowing what we do and then sharing this with others.

Understand entrepreneurs create jobs and rural areas do not have to recruit.

Iowa-owned company preferences and veteran-owned preference.

Perhaps increased assistance to two-year degree programs at community colleges.

Denver is starting Denver Diplomats, after inviting local businesses they were surprised to find that we had over 100 small businesses in the community. I don’t think they found everyone.

Rural broadband at reasonable rates.

Give us a break on insurance.

Address the problem of finding qualified employees.

Consolidate all the information, assistance, etc.

Places to turn to for help.

Free or low-cost training.

Make available grants known.

Leave us alone.

Less red tape. Let us have more say in how we run our businesses.

All individuals in government should be required to attend classes on business ownership and all aspects that face the small business.

Minimum wage at least $15.

Don’t raise wages so fast and so much.

Focus on opportunities for women entrepreneurs.

Reduce government regulations.

Sensitivity to the way business regulations work against self-employed very small business owners.

“Promote Iowa as a great place to have a business.”
Dream Big Grow Here is an online grant contest providing small business owners across industry an opportunity to earn $5,000. Launched as a pilot in 2010, Dream Big Grow Here attracts more than 100,000 site visitors each year and culminates in live, pitch-off events.

www.dreambiggrowhere.com

The Iowa Small Business Survey is the only annual statewide survey of small business owners in Iowa. The 2015 survey captures economic activity among small business owners with fewer than 50 employees; that data is then used to benchmark the health of Iowa’s business community through the Iowa Small Business Report. First conducted in 2012, the survey provides researchers, policy makers and service providers throughout the state a better understanding of the needs of Iowa’s small business community.

www.uni.edu/unicbgi/survey

Advance Iowa is Iowa’s recognized holistic consulting program for mid-sized companies. We work with companies in a variety of industries across the state, assisting them with growth strategies, exclusive market intelligence, financial benchmarking, succession planning and more. Advance Iowa also provides peer mentoring via our CEO roundtable access.

www.advanceiowa.com

IASourceLink is the premier online resource connecting entrepreneurs and small businesses to more than 360 resource providers across Iowa. IASourceLink is a collaboration with the Iowa Economic Development Authority (IEDA).

www.iasourcelink.com

The Regional Entrepreneurship Project, in partnership with UNI’s Institute for Decision Making, provides in-depth and hands-on assistance to communities interested in supporting entrepreneurial activity. Through training, planning assistance and support services, communities work to improve the entrepreneurial culture and business access to capital, technical assistance, and networks.

www.bcs.uni.edu/eda

Our team philosophy is to listen to small business owners, imagine what we can do to make life better, and to create solutions leveraging our university and technology assets. Annually, we evaluate how we’ve done in terms of economic impact, user experiences, and popularity.

Programs and Resources

Business Concierge

The Business Concierge provides actionable business intelligence, including market trends, industry statistics, prospect lists, demographics, and much more. The Business Concierge can also connect small business owners with our trusted network of service providers throughout the state. More than 1000 requests are completed annually, at no charge.

www.iasourcelink.com/resources/business-concierge

Webinars

Webinars are 1-hour online presentations given by national experts on specific business topics including healthcare, business planning, marketing, e-commerce, social media, and much more. Small Business Owners can participate in a live interactive chat to get their questions answered.

www.iasourcelink.com

Innovation Incubator

The Innovation Incubator, located in Cedar Falls, provides a community for small business owners to start and grow. Our services and rentable office space offers low financial risk and a supportive culture for small businesses to succeed.

www.uni.edu/cbgi/incubator

The Small Business Development Center provides customized one-on-one business consulting. Appointments are provided at no cost and workshops are both affordable and practical. Our advisors and trainers focus on real-world small business needs including: startup assistance, business planning, accounting, human resources, marketing, sales, information on local and statewide resources, and much more.

www.uni.edu/cbgi/sbdc

EntreFEST is Iowa’s largest Entrepreneur Conference. Spearheaded by UNI since 2008, EntreFEST has grown into an Iowa tradition of championing business owners and the economies they support. Part summit, part festival, and part resource hub, this is the premier networking and learning event for economic developers, community leaders, small business owners, and entrepreneurs. EntreFEST attracts more than 500 attendees representing all facets of the entrepreneurial sector for a three day innovation event like no other. EntreFEST is a collaboration with Seed Here Studio, based in Iowa City.

www.entrefest.com